Ibdar Bank B.S.C. (c)

DISCLOSURES REQUIRED UNDER
PD MODULE OF THE CBB RULEBOOK
For The Six Months Ended 30 June 2015

Content		Page

1 INTRODUCTION

The disclosures under this section have been prepared in accordance with the CBB requirements outlined in its Public Disclosure Module, of Volume 2 for Islamic Banks of the CBB rulebook (the 'PD Module"). Rules concerning the disclosures under this section are applicable to Ibdar Bank B.S.C. (c) (the "Bank") being a locally incorporated Bank with a wholesale Islamic Investment banking license and subsidiaries (together known as "the Group"). This document should be read in conjunction with the condensed consolidated interim financial information for the six months ended 30 June 2015 and the qualitative disclosures in the annual report for the year ended 31 December 2014. Information already included in the condensed consolidated financial information are not repeated.

The disclosures have been prepared in accordance with the requirements of PD Module. Effective 1 January 2015, the capital adequacy requirements as per the CBB rulebook were amended for compliance with Basel III requirements. Accordingly, the Bank has adopted the amended Capital Adequacy Module ("CA Module") and Credit Risk Management Module ("CM Module") for the purpose of regulatory capital requirements. The information presented in this document were based on the amended CBB rulebook. As a result, comparative information, where presented, may not be comparable.

2 CAPITAL ADEQUACY

The primary objective of the Group's capital management is to ensure that the Group maintains adequate risk capital, complies with the capital requirements laid down by the CBB and maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages the capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the CBB in supervising the Bank.

Regulatory capital consists of Common Equity Tier 1 capital ("CET1"), Additional Tier 1 Capital ("AT1") and Tier 2 capital (supplementary capital). The Group's Tier 1 comprises share capital, statutory reserves, current interim profit and unrealized gains and losses arising from fair valuing equities. Tier 2 includes asset revaluation reserve - property, plant and equipment and the general financing loss provisions.

Certain adjustments are made to the reviewed condensed consolidated interim financial information for the six months ended 30 June 2015 in order to comply with Capital Adequacy Module, Credit Risk Management Module and directives issued by the CBB. From the regulatory perspective, the significant amount of the Bank's capital is in Tier 1 form.

The Group's approach to assessing capital adequacy has been in line with its risk appetite aligned with its current and future activities. To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the Standardized Approaches for its Credit Risk and Market Risk, and the Basic Indicator Approach for its Operational Risk.

The Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of expectations for each business group, expected growth in future sources and uses of funds.

Further the Bank monitors the CAR against an Internal Trigger Ratio of 20% compared to the required capital of 12.5% under CBB rulebook. If the ICAAP CAR touches the Internal Trigger Ratio, the Bank will initiate action to reduce its risk or increase capital before the Internal Target Ratio is breached.

Basis of Consolidation for Accounting and Regulatory Purposes

The Bank consolidates all subsidiaries which are fully owned or exercises significant control over them. These subsidiaries are consolidated from date of acquisition being the date on which the group obtains control and continues until the control ceases. Control is achieved when the group has the power to govern the financial and operating policy of an entity to obtain benefits from its activates. For regulatory purposes the Bank should consolidate all banking and other relevant financial entities which are considered to be subsidiaries of the Bank. The treatment of the Bank's investments in various entities for the purpose of regulatory reporting is as follows:

Entity name	Entity classification as per CA Module for consolidated capital adequacy	Treatment by the Bank Consolidated Basis
Subsidiaries		
Elaf Corporate Services Limited	Commercial entity	Risk weighting of investment exposure
Sokouk Exchange Centre – Tadawul Holding W.L.L.	Commercial entity	Risk weighting of investment exposure
Tamkeen Investment Company BSC (c)	Commercial entity	Risk weighting of investment exposure
Suffun Bahrain W.L.L.	Commercial entity	Risk weighting of investment exposure
Suffun Investment Company	Commercial entity	Investment holding company for Skaugen Gulf Petchem Carriers BSC (c), hence, no impact on regulatory reporting.
GCC Balanced Growth Fund Company B.S.C.(c)	Financial entity	Consolidated
Medical Management Group SPC*	Commercial entity	Risk weighting of investment exposure.
Palma Ibdar Aviation	Commercial entity	Risk weighting of investment exposure
Associates		
Ali Iskandar Al Ansari and Partners W.L.L.	Commercial entity	Fully provided investment, hence, no impact on regulatory reporting.
Aqari Real Estate Company BSC (c)	Commercial entity	Risk weighting of investment exposure
Alpha Lease and Finance Holding Company BSC (c)	Financial entity	Risk weighting of investment exposure
Apex Real Estate Company BSC (c)	Commercial entity	Fully provided investment, hence, no impact on regulatory reporting.
Skaugen Gulf Petchem Carriers BSC (c)	Commercial entity	Risk weighting of investment exposure
MENA Energy Limited	Commercial entity	Risk weighting of investment exposure

As per the directive received from CBB on 16 February 2009, the Bank consolidates the properties of Ijarah 9 at fair value for regulatory purposes and charges a risk weight of 200% as Holdings of Real Estate.

* The Bank has a commitment of USD 10 thousands towards the equity shortfall. The Bank is in the process of liquidating this subsidiary.

The Bank does not hold any interest in insurance entities.

2 CAPITAL ADEQUACY (continued)

Table – 1. Capital structure (PD–1.3.12, PD–1.3.13, PD–1.3.14 and PD–1.3.15)

The following table summarizes the eligible capital after regulatory adjustments for Capital Adequacy Ratio (CAR) calculation as of:

	30 June 2015	
	CET 1 (USD '000)	*T2 (USD '000)*
Components of capital		
Core Capital - CET1		
Issued and fully paid ordinary shares	300,000	
General reserves	4,612	
Legal / statutory reserves	676	
Share Premium	-	
Retained earnings	(5,804)	
Current interim cumulative net income / losses	3,815	
Unrealized gains and losses from fair valuing equities	(398)	
Total CET1 capital prior to regulatory adjustments	302,901	
Less: Regulatory Adjustments		
Investment in financial entities where ownership is < 10% of the issued common share capital (amo	(4,440)	
Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 C)	298,461	-
Other Capital (T2)		
Asset revaluation reserve - Property, plant, and equipment (45% only)		3,519
General financing loss provisions	-	974
Total Available T2 Capital	-	4,493
Net Available Capital after Applying Haircut	298,461	4,493
Total Capital		302,954

Table – 2. Capital requirement by type of Islamic financing contracts (PD - 1.3.17)

The following table summarizes the capital requirements by type of Islamic financing contracts:

	30 June 2015	
	Risk Weighted Amount (USD '000)	*Capital requirements (USD '000)*
Type of Islamic financing contracts		
Mudaraba	4,799	600
Murabaha	35,744	4,468
Musharaka	257	32
Ijara Muntahia bittamleek	636	80
Sukuks	66,067	8,258
	107,503	13,438

	30 June 2015	
	Risk Weighted Amount (USD '000)	*Capital requirements (USD '000)*
Claims on Sovereigns	-	-
Claims on PSE	7,347	918
Claim on banks	13,414	1,677
Claim on Corporations	78,192	9,774
Past due facilities	157	20
Investment in securities	159,606	19,951
Holding of Real Estate	284,014	35,502
Other assets	2,819	352
	545,549	68,194

2 CAPITAL ADEQUACY (continued)

Table – 3. Capital requirement for Market risk (PD–1.3.18)

The following table summarizes the amount of exposures subject to the standardized approach of market risk and related capital requirements:

	30 June 2015 (USD '000)
Market Risk - Standardized Approach	
Price Risk	-
Equity Position Risk	-
Foreign exchange risk	**1,093**
Total of market risk - standardized approach	**1,093**
Multiplier	**12.5**
Total Market Risk Weighted Exposures	**13,663**
Minimum capital requirement (12.5%)	**1,708**

Table – 4. Capital Requirements for Operational risk (PD–1.3.19 and PD–1.3.30)

The following table summarizes the amount of exposures subject to the basic indicator approach of operational risk and related capital requirements:

			30 June 2015 (USD '000)
Indicators of operational risk			
Year	**2014**	**2013**	**2012**
Gross Income	4,077	13,297	11,893
Average gross income			**9,756**
Multiplier			**12.5**
			121,946
Eligible Portion for the purpose of the calculation			**15%**
Total operational RWE			**18,292**
Minimum capital requirement (12.5%)			**2,287**

Table – 5. Capital Adequacy Ratios (PD–1.3.20)

The following are capital adequacy ratios for total capital and CET1 capital as of:

	30 June 2015		
	CET1	**T1**	**Total capital**
Capital adequacy ratio	**51.68%**	**51.68%**	**52.46%**

The Group was in compliance with the externally imposed capital requirements throughout the period.

3 RISK MANAGEMENT

3.1 Credit risk

Table – 6. Credit Risk Exposure (PD–1.3.23(a))

The following table summarizes the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposure as of:

	30 June 2015	
	Total gross credit exposure (USD '000)	**Average gross credit exposure over the period (USD '000)*
Funded exposure		
Cash & balances with banks	7,895	20,676
Placements with financial institutions	4,799	6,889
Financing receivables	42,621	34,064
Assets held-for-sale	107,894	101,909
Receivable from Ijara investors	18,094	22,582
Investment in securities	203,168	196,663
Equity-accounted investees	11,733	12,127
Investment in real estate	38,040	40,640
Other assets	4,111	3,926
Total Funded Exposures	438,355	439,473
Unfunded exposure		
Uncalled capital commitments in respect of investment	8,666	7,666
Commitment related to project developments	133	133
Operating lease commitments - expiring within one year	121	152
Total Unfunded Exposures	8,920	7,950

*Average balances are computed based on quarter-end balances.

3 RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Table – 7. Credit Risk – Geographic Breakdown (PD–1.3.23(b))

The following table summarizes the geographic distribution of funded and unfunded exposures, broken down into significant areas by major types of credit exposure as of:

	30 June 2015					
	Middle East US$ (USD '000)	*Europe US$ (USD '000)*	*Africa US$ (USD '000)*	*South East Asia US$ (USD '000)*	*Others US$ (USD '000)*	*Total US$ (USD '000)*
Funded exposure						
Cash & balances with banks	4,989	2,659	-	247	-	7,895
Placements with financial institutions	4,799	-	-	-	-	4,799
Financing receivables	8,108	-	34,356	157	-	42,621
Assets held-for-sale	12,000	-	95,894	-	-	107,894
Receivable from Ijara investors	18,094	-	-	-	-	18,094
Investment in securities	177,954	20,956	4,258	-	-	203,168
Equity-accounted investees	11,733	-	-	-	-	11,733
Investment in real estate	38,040	-	-	-	-	38,040
Other assets	2,156	38	531	666	720	4,111
Total Funded Exposures	277,873	23,653	135,039	1,070	720	438,355
Unfunded exposure						
Uncalled capital commitments in respect of investment	6,666	-	-	-	2,000	8,666
Commitment related to project developments	133	-	-	-	-	133
Operating lease commitments - expiring within one year	121	-	-	-	-	121
Total Unfunded Exposures	6,920	-	-	-	2,000	8,920

The Group allocates exposures to a particular geographical area based on the risk domicile concept, which could be either the location of the asset or the location of the counterparty.

3 RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Table – 8. Credit risk – Industry Sector Breakdown (PD–1.3.23(c))

The following table summarizes the distribution of funded and unfunded exposure by industry type broken down by major types of credit exposure as of:

	30 June 2015						
	Transport (USD '000)	*Energy (USD '000)*	*Trading and manufacturing (USD '000)*	*Banks and financial institutions (USD '000)*	*Real Estate (USD '000)*	*Others (USD '000)*	*Total (USD '000)*
Funded exposure							
Cash & balances with banks	-	-	-	7,895	-	-	7,895
Placements with financial institutions	-	-	-	4,799	-	-	4,799
Financing receivables	25,980	8,376	-	-	8,108	157	42,621
Assets held-for-sale	95,894	12,000	-	-	-	-	107,894
Receivable from Ijara investors	-	-	-	-	-	18,094	18,094
Investment in securities	7,245	24,473	7,628	55,151	69,916	38,755	203,168
Equity-accounted investees	8,949	-	-	773	2,011	-	11,733
Investment in real estate	-	-	-	-	38,040	-	38,040
Other assets	534	194	176	251	155	2,801	4,111
Total funded Exposures	138,602	45,043	7,804	68,869	118,230	59,807	438,355
Unfunded exposure							
Uncalled capital commitments in respect of investment	6,566	2,100	-	-	-		8,666
Commitment related to project developments	-	-	-	-	-	133	133
Operating lease commitments - expiring within one year	-	-	-	-	-	121	121
Total unfunded Exposures	6,566	2,100	-	-	-	254	8,920

3 RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Table – 9. Credit Risk – Concentration of Risk (PD–1.3.23(f))

The Group follows the Central Bank of Bahrain's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the Central Bank of Bahrain Rulebook for Islamic Banks.

The following are the balances representing the concentration of risk to individual counterparties as of 30 June 2015:

	Own capital and current account
	Concentration risk
Counterparties	*%*
Counterparty # 1	**13.97%**
Counterparty # 2	**12.09%**
Counterparty # 3	**10.97%**

During the six months ended 30 June 2015, credit facilities amounting to USD 16.81 million were restructured. Restructuring concessions mainly related to deferral of loan installments to realign the repayment with the borrowers'/projects' revised cash flow projections.

The Bank does not currently have any obligations with respect to recourse transactions.

No penalties were charged to customers with regards to defaults during the period.

The Bank does not deal with, finance or hold securities on behalf of Highly Leveraged Institutions (HLIs) or other high risk counterparties.

Table – 10. Maturity breakdown of credit exposures (PD–1.3.23(g))

The residual maturity for financial instruments other than certain investment securities were based on the last date of contractual terms. For certain investment securities, investment in associates (equity accounted) and investment in Real Estate, residual maturity is determined based on expected realization period.

The following table summarizes the residual contractual maturity breakdown of the whole credit portfolio, broken down by major types of credit exposure as of 30 June 2015.

	Up to 3 month (USD '000)	*3 months to 1 year (USD '000)*	*Total up to 1 year (USD '000)*	*1 to 5 years (USD '000)*	*5 to 10 years (USD '000)*	*No fixed maturity (USD '000)*	*Total (USD '000)*
Funded exposure							
Cash & balances with banks	7,895	-	**7,895**	**-**	**-**	**-**	**7,895**
Placements with financial institutions	4,799	-	**4,799**	**-**	**-**	**-**	**4,799**
Financing receivables	15,161	19,195	**34,356**	**8,265**	**-**	**-**	**42,621**
Assets held-for-sale	95,894	12,000	**107,894**	**-**	**-**	**-**	**107,894**
Receivable from Ijara investors	18,094	**-**	**18,094**	**-**	**-**	**-**	**18,094**
Investment in securities	-	-	**-**	**41,306**	**24,753**	**137,109**	**203,168**
Equity-accounted investees	**-**	**-**	**-**	**-**	**-**	**11,733**	**11,733**
Investment in real estate	**-**	**-**	**-**	**-**	**-**	**38,040**	**38,040**
Other assets	579	1,186	**1,765**	**1,945**	**-**	**401**	**4,111**
Total funded Exposures	**142,422**	**32,381**	**174,803**	**51,516**	**24,753**	**187,283**	**438,355**
Unfunded exposure							
Uncalled capital commitments in respect of investment	-	8,666	**8,666**	**-**	**-**	**-**	**8,666**
Commitment related to project developments	-	133	**133**	**-**	**-**	**-**	**133**
Operating lease commitments - expiring within one year	-	121	**121**	**-**	**-**	**-**	**121**
Total Unfunded Exposures	**-**	**8,920**	**8,920**	**-**	**-**	**-**	**8,920**

3 RISK MANAGEMENT (continued)

3.1 Credit risk (continued)

Table – 11.1 Breakup of provision by industry for financing receivables exposures (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Banks & Financial Institutions *(USD '000)*	**Real Estate** *(USD '000)*	**Transport** *(USD '000)*	**Energy** *(USD '000)*	**Others** *(USD '000)*	**Total** *(USD '000)*
Specific Provision	246	-	-	-	-	**246**
Collective Provision	102	270	270	326	6	**974**

Table – 11.2 Breakup of provision by geographical area for financing receivables exposures (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Middle East *(USD '000)*	***Europe*** *(USD '000)*	***Africa*** *(USD '000)*	***South East Asia*** *(USD '000)*	**Total** *(USD '000)*
Specific Provision	-	-	-	246	**246**
Collective Provision	277		595	102	**974**

Table – 11.3 Reconciliation of changes in provisions (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Opening *(USD '000)*	**Charged** *(USD '000)*	**Closing** *(USD '000)*
Specific Provision	251	(5)	**246**
Collective Provision	683	291	**974**

Table – 11.4 Past due facilities

Past due facilities represents musharaka financing which amounts to USD 157 thousands due from a financial institution located in South East Asia, outstanding within a period of one to three months.

3.2 Market risk

Table – 12. Market Risk Capital Requirements

The following table summarizes the capital requirement for each category of market risk as of:

	30 June 2015	
	Weighted risk exposures *(USD '000)*	***Market risk capital requirement*** *(USD '000)*
Capital requirements - Price Risk, Equity Position Risk and Foreign Exchange Risk	**13,663**	**1,708**
Maximum value of RWE	25,075	3,134
Minimum value of RWE	13,663	1,708

3 RISK MANAGEMENT (continued)

3.3 Equity price risk

Table – 13. Equity Position Risk in the Banking Book (PD-1.3.31(b), (c) & (f))

The following table summarizes the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2015:

	Total gross exposure (USD '000)	** Average gross exposure over the period (USD '000)*	*Publicly Traded (USD '000)*	*Privately held (USD '000)*	*Capital requirement (USD '000)*
Fair value through statement of income	**25,538**	**23,036**	**14,098**	**11,440**	**3,192**
Fair value through equity	**111,563**	**112,054**	**20,988**	**90,575**	**13,945**
Investment in associates	**11,733**	**12,127**	**-**	**11,733**	**1,467**
	148,834	**147,216**	**35,086**	**113,748**	**18,604**

*Average balances are computed based on quarter-end balances.

Table – 14. Equity gains or losses in the Banking Book (PD-1.3.31(d) to (e))

The following table summarizes the cumulative realized and unrealized gains or (losses) during the half year ended:

	30 June 2015 USD ('000)
Unrealized gains and losses from fair valuing equities included in CET1 capital	**(398)**
Realized gains arising from liquidation of Sakan Development Company	**4,742**

3 RISK MANAGEMENT (continued)

3.4 Liquidity risk

Table – 15. Liquidity ratios (PD-1.3.37)

The following table summarizes the liquidity ratios as of:

	30 June 2015
Liquid assets to total assets	**2.90%**
Short term assets to short term liabilities	**179.85%**

Formula is as follows:

Liquid Assets to total assets = (Cash and bank balances + due from financial institutions)/total assets

Short term assets to short term liabilities = Assets with up to one year maturity/liabilities with up to one year maturity

3.5 Financial Indicators

Table – 16. Quantitative indicators of financial performance and position (PD–1.3.9)

	Jun 2015	*Dec 2014*	*Dec 2013*	*Dec 2012*	*Dec 2011**	*Dec 2010**
Return on average equity (ROAE)	**0.80%**	-4.18%	0.01%	-5.14%	-2.66%	-11.92%
Return on average assets (ROAA)	**0.59%**	-3.44%	0.01%	-4.55%	-2.60%	-11.88%
Total cost to Income ratio **	**57.52%**	293.60%	83.32%	76.73%	92.66%	90.39%

* Ratios are based on pre-merger financials
** Cost excludes impairment
Formula is as follows:
ROAE = Net Income/Average Equity
ROAA= Net profit/ Average Assets

3.6 Maturity Profile

Table – 17. Maturity Profile (PD–1.3.38)

The maturity profile of the Group's assets and liabilities are based on contractual repayment arrangements. The contractual maturities of financial assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. For the remaining assets and liabilities, the maturity is determined based on expected realization/ profit settlement. The consolidated maturity profile at 30 June 2015 was as follows:

2014	*Up to 3 month (USD '000)*	*3 months to 1 year (USD '000)*	*Subtotal up to 1 year (USD '000)*	*1 to 5 years (USD '000)*	*5 to 10 years (USD '000)*	*No fixed maturity (USD '000)*	*Total (USD '000)*
Assets							
Cash and balances with banks	7,895	-	7,895	-	-	-	**7,895**
Due from financial institutions	4,799	-	4,799	-	-	-	**4,799**
Financing receivable	15,161	19,195	34,356	8,265	-	-	**42,621**
Assets held-for-sale	95,894	12,000	107,894	-	-	-	**107,894**
Receivable from Ijarah investors	18,094	-	18,094	-	-	-	**18,094**
Investments in securities	-	-	-	41,306	24,753	137,109	**203,168**
Investment in associates	-	-	-	-	-	11,733	**11,733**
Investment in real estate	-	-	-	-	-	38,040	**38,040**
Other assets	579	1,186	1,765	1,944	-	402	**4,111**
Total assets	142,422	32,381	**174,803**	**51,515**	**24,753**	**187,284**	**438,355**
Liabilities							
Due to financial institutions	11,070	-	11,070	18,734	-	-	**29,804**
Due to non financial institutions	-	165	165	-	-	-	**165**
Liabilities related to assets held-for-sale	73,061	-	73,061	-	-	-	**73,061**
Other liabilities	458	12,439	12,897	330	-	1,020	**14,247**
Total liabilities	84,589	12,604	**97,193**	**19,064**	**-**	**1,020**	**117,277**
Net liquidity gap	57,833	19,777	77,610	32,451	24,753	186,264	**321,078**
Cumulative net liquidity gap	57,833	77,610	135,443	110,061	134,814	321,078	
Commitments	-	8,920	-	-	-	-	**8,920**

3.7 Rate of return risk

Table – 18. Rate of return risk management

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of return of the sources of finance. The table below analyses the Group's profit rate risk exposure on non-trading financial assets and liabilities.

2015	***Up to 3 month (USD '000)***	***3 months to 1 year (USD '000)***	***Subtotal up to 1 year (USD '000)***	***1 to 5 years (USD '000)***	***Above 5 Years (USD '000)***	***No fixed maturity (USD '000)***	***Total (USD '000)***
Assets							
Due from financial institutions	4,799	-	4,799	-	-	-	4,799
Financing receivable	15,161	19,195	34,356	8,265	-	-	42,621
Investments in quoted sukuks and equities	-	-	-	41,306	24,753	35,086	101,145
Total profit rate sensitive assets	19,960	19,195	39,155	49,571	24,753	35,086	148,565
Liabilities							
Due to financial institutions	11,070	-	11,070	18,734	-	-	29,804
Total profit rate sensitive liabilities	11,070	-	11,070	18,734	-	-	29,804
Profit rate sensitivity gap	**8,890**	**19,195**	**28,085**	**30,837**	**24,753**	**35,086**	**118,761**

The sensitivity of the Group's consolidated statement of income to a 200 basis points parallel increase (decrease) in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) on floating rate non trading financial assets and liabilities, would be an increase (decrease) of profit by USD 2,233 thousand (2014:USD 1,894 thousand).

The rate of return risk is generally associated with overall balance sheet exposures where mismatches arise between assets and balances from fund providers. The Group is not exposed to any significant rate of return risk and is aware of the factors that give rise to rate of return risk. Factors that possibly will affect rate of return may include an increase in long-term fixed rates in the market. The Bank is also aware of the fact that in general, profit rates earned on assets reflect the benchmark of the previous period and do not correspond immediately to changes in increased benchmark rates. The Bank does not have financial instruments that are subject to floating rate or repricing risks.

The Bank uses a combination of mismatch gap limits to measure and control its rate of return risk. Mismatched positions are regularly monitored to ensure that mismatch is maintained within established limits.

Displaced commercial risk (“DCR”) refers to the market pressure to pay returns that exceed the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor’s rates.

The Bank manages DCR through the Asset Liability Committee (“ALCO”). The Bank is currently in the process of developing written policies and procedures for Displaced Commercial Risk. The Bank will forego its fee in case DCR arises. The Bank benchmarks its rates with other leading banks in the market.

3.8 Off Balance Sheet Equity of Investment Account Holders

The Group holds Investments of portfolio customers under fiduciary relationship and thus RIA assets and liabilities, are held Off- Balance sheet and separate portfolio accounts are maintained for each client.

Although the underlying investments are held in the name of the Bank, these assets are not consolidated in the Group's financial statements and the aggregated exposures as at 30 June 2015 is USD 107,669 thousand. The Group intends to develop policies and procedures applicable to Restricted Investment Accounts.

The Bank arose from merger of three entities in 2012 and has been in existence for three years. The Bank's restricted investment accounts did not generate any returns for the past five years except for two investments whose returns were distributed directly to restricted investments accounts holders, there were no returns shared between the Bank and the restricted investment account holders. Hence, the other disclosures relating to PD 1.3.35 were not presented.

3.9 Compliance Disclosures

During the period, the Bank has paid penalties amounting to USD 38 thousands due to late submission of audited financial statements of its SPVs.

4 LEGAL CONTINGENCIES

The following are the material* current or pending legal actions which involve potential liability to the Bank:

1. Ali Iskandar Ansari and Partners - We are defendants to a claim in a private equity in Qatar whereby the local promoter is claiming approximately $1 million due as fees for establishing the joint venture, which we believe they are not entitled to as they have not fulfilled the contractual obligations to earn the fees. The local promoter also raised 3 other claims in court and all three cases have ended in our favour. Our expectation is this will like wise result in our favor. Additionally, we may be pursuing our own claim against the promoter in the near future to recover our investment in the joint venture.

*materiality involves disputes involving potential liabilities in excess of $300,000, or 0.1% of the Bank's share capital.

5 DISCLOSURE REQUIREMENTS PERTAINING TO REMUNERATION

Quantitative disclosure requirements pertaining to remuneration under PD 1.3.10 B to PD 1.3.10 G for approved persons or material risk takers have not been presented in this document as these relate to the annual remuneration and would be disclosed in the annual report.